CALIFORNIA MEDICAL ASSISTANCE COMMISSION
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CALIFORNIA MEDICAL ASSISTANCE COMMISSION

State Capitol, Room 126

Sacramento, CA

Minutes of Meeting

April 22, 2004

COMMISSIONERS PRESENT
Nancy E. McFadden, Chair
Thomas Calderon
Diane M. Griffiths
Teresa P. Hughes
Vicki Marti
Lynn Schenk
Michael R. Yamaki

CMAC STAFF PRESENT
J. Keith Berger, Executive Director
Myrna Allen, R.N.
Enid Barnes
Theresa Bueno
Denise DeTrano
Holland Golec
Vanessa Guerrero
Mervin Tamai
Karen Thalhammer

EX-OFFICIO MEMBER PRESENT
Benjamin Thomas, Department of Health Services

EX-OFFICIO MEMBER ABSENT
Chantele Denny, Department of Finance

I. Call to Order

The open session meeting of the California Medical Assistance Commission (CMAC) on April 22, 2004 was called to order at 10:02 a.m. by Chair Nancy E. McFadden. A quorum was present.

II. Approval of Minutes

The April 8, 2004 meeting minutes were approved as prepared by CMAC staff.

III. Executive Director's Report

The Executive Director Keith Berger indicated that there were two requests by hospitals to appear before the Commission in closed session to discuss contract negotiation issues. One is Catholic Healthcare West on behalf of St. Bernadine Medical Center and Community Hospital of San Bernardino. The other is from Good Samaritan Hospital in Los Angeles (LA). Both hospitals requested to appear in closed session at the May 13 meeting. The Executive Director recommended that the hospitals be approved to appear before the Commission in closed session on May 13.

Chair McFadden brought the motion before the Commission and the motion was carried unanimously to approve the appearance of the two hospitals in closed session at the May 13 meeting as recommended by the Executive Director.

Mr. Berger informed the Commissioners that there were 37 amendments before them for action in closed session at this meeting, primarily SB 1255 Round 16B amendments for public hospitals and medical education supplemental program amendments. He further indicated that CMAC staff is working on the community hospital SB 1255 amendments along with some standard hospital contract amendments, and he plans to have about 60 amendments recommended for action at the May 13 Commission meeting.

Mr. Berger reported that CMAC staff continues to work with the Federal Office of the Inspector General's (OIG) review of the Medical Education program by answering questions and providing data requested by the OIG. He further informed the Commissioners that he and DHS representatives will be attending an Entrance Conference on April 23 with the Federal Centers for Medicare and Medicaid Services (CMS) as they begin a review of the SB 1255 program.

In response to Commissioner Griffiths' inquiry, Mr. Berger indicated that CMS has had general concerns about the states' intergovernmental transfer (IGT) programs, the impact of those programs on the federal budget and how the programs operate.

Responding to Commissioner Schenk's question, Mr. Berger remarked that he believed the CMS issues in this review are part of a larger national, ongoing investigation by CMS based on their general concern about IGT programs. He further indicated that several years ago the federal government had put out regulations that created revised upper payment limits designed primarily to place caps on states' supplemental programs, and he believes that this is an area that CMS is still exploring.

Mr. Berger informed the Commission that CMS is concerned about all IGT programs. Some of the programs are negotiated by CMAC and others are administered by DHS. For example, the Disproportionate Share Hospital (SB 855 DSH) program is administered by DHS, and SB 1255, which is the Emergency Services and Supplemental Payment program, and the Medical Education Supplemental program are negotiated by CMAC.

Keith Berger indicated that the supplemental programs are very important to the hospitals in California. For example, SB 1255 was established when there were a number of imminent emergency room closures in Los Angeles County. The establishment of this program provided the State and the hospitals with funding needed to allow key emergency services, as well as core medical services to be available at safety net hospitals. California believes that the federal funds are administrated in a fair and appropriate manner.

Mr. Berger reminded the Commission that Los Angeles County representatives will be here on May 27 to update the Commission on the County's financial position.

Mr. Berger reported that CMAC staff has had conversations with several hospitals recently who have expressed concerns about the Medi-Cal treatment authorization request (TAR) process. Their concern is that the process is not operating as effectively or as quickly as it has in the past. The treatment authorization process is when a Medi-Cal beneficiary enters a hospital, DHS then has a medical professional review the hospital admission to make sure that the treatment requested is medically necessary and that the length of stay is appropriate.

Benjamin Thomas, Department of Health Services, indicated that the state is under significant budget constraints and, at this time, no one is in the position to authorize the hiring of additional staff needed for the purposes of reviewing requests for prior authorizations for Medi-Cal beneficiaries. DHS is proposing to develop and implement an auto-adjudication system for some TARS. What that means is that services that DHS currently approves at a high rate or services for low-dollar amounts will be processed more quickly by incorporating an automated review component into the process.

Mr. Thomas indicated that DHS medical staff has concerns that this system will approve claims before the medical staff has time to review the requests, but he said that DHS has had a 100 percent increase in prior authorization requests over the last five years. It has gone from two million to over four million cases a year. Some changes need to be made. Mr. Thomas did say that currently DHS does not have any request for prior authorization that is over 30 days old.

Mr. Thomas responded to Commissioner Griffiths' question regarding the reasons for the large increase in TAR volume by stating that there has been an astronomical increase in the prescription drug volume and DHS has to provide prior authorization for all of these requests. There has been an increase in the medical side as well. One of the other things DHS does is to case manage complex, high-risk, high-cost patients. The nurses carry a caseload of 60 cases or higher and provide regular contact with the patients, and coordination of their care. This is one area where the department has been able to add staff.

In response to Chair McFadden's question, Mr. Thomas indicated that everyone is supportive of the auto-adjudication system. The prior authorization requirements for a lot of procedures and drugs are regulated by State law, so to make the decision not to prior authorize those services, requires a legislative change. DHS has submitted those changes and they are expected to be effective with the passage of the FY 2004/05 budget.

Mr. Thomas responded to questions raised by Commissioners Hughes and Schenk by confirming that DHS does receive calls from providers either assistance with the TAR process; to register complaints, and to file appeals regarding denied or modified TARs. The Department does everything they can to provide the necessary help in authorizing the treatment requested by the physicians for their patients, providing it is medically necessary.

Mr. Berger remarked that given the state's budget constraints, and the fact that there are over four million TARS a year and over six million individuals on Medi-Cal at any given time, DHS is doing a tremendous job.

Mr. Thomas responded to Chair McFadden's inquiry on the upcoming hospital contracting waiver renewal by indicating that CMS is not interested in extending the waiver renewal process. CMS is committed to approving waivers on time and the Department is committed to having the waiver submitted on time. Mr. Thomas further remarked that this waiver is going to be very controversial and very difficult to get approved.

He stated that CMS is concerned with the IGT process, that public funds that are matched with Federal funds remain at the hospitals to provide health care. So CMS is going to track where the monies are going. He thought CMS would want the results of the SB 1255 upcoming audit before making a final decision on the State's SPCP waiver renewal. The timeline for the audit will be better known after the CMS entrance conference on Friday.

In response to Commissioner Schenk's inquiry, Mr. Berger indicated that CMAC's and DHS questions regarding the audit hopefully will be answered at the CMS entrance conference on Friday, which will be the initial conversation regarding what CMS is looking at.

Mr. Thomas remarked that CMS will be selecting some hospitals and will follow the flow of the funds given to them.

Commissioner Griffiths asked if these are the same issues raised during the state's last waiver renewal, and if so, weren't these issues resolved last time.

Mr. Thomas, responded to Commissioner Griffiths' question indicating that the issues are the same and that at that time they had been resolved for that waiver renewal. However, the two issues again are the intergovernmental payments and upper payment limits. DHS thinks these issues have been resolved. The question is does CMS think that these issues have been resolved, and that is part of the reason for the SB 1255 audit. The audit is not just for California, this audit is a national audit. Mr. Thomas said that California doesn't play games with this stuff the way a lot of other states have. CMS is very concerned and wants to close the loophole that has basically allowed other states to draw down extra federal funds and spend it on non-health care issues. California doesn't do that; it spends its matched dollars on health care.

Chair McFadden requested that a packet with information about the last round of the State's Selective Provider Contracting Program (SPCP) waiver renewal negotiations with the

Federal Government be provided to the newly appointed Commissioners for review. The Executive Director Keith Berger agreed to have staff put something together.

IV. Medi-Cal Managed Care Activities

The Executive Director informed the Commission that at this time he had nothing more to report on the status of upcoming managed care amendments. CMAC staff is still waiting for further information from DHS. He mentioned to the Commission that he and several other CMAC staff would be attending a meeting with the Chief of the DHS Medi-Cal Managed Care Division on Friday, April 23 to discuss these issues.

Mr. Berger indicated that the Medi-Cal Redesign team has had their third set of workgroup meetings and there are some very interesting things in the Medi-Cal Redesign website at www.medi-calredesign.org. Mr. Berger reported that he had a few copies available for the Commissioners of some of the materials from the website.

Mr. Thomas provided a brief update for the Commission on the Medi-Cal Redesign workgroup meetings. He stated that the workgroups met last week in Los Angeles, and the financial workgroup met April 21 in Sacramento. He further indicated that there are some recommendations related to Medi-Cal hospital payments issues, but that basically the reform workgroups want to simplify the system so that the providers get paid more quickly.

Commissioner Griffiths asked Mr. Thomas if he would provide an update on the Medi-Cal Redesign effort at each subsequent CMAC meeting. Mr. Thomas agreed to do so. He said that advocate groups at last week's budget hearings expressed concerns about various aspects of what they think Medi-Cal Redesign is going to do, including expansion of managed care, increases in co-payments and possible reductions in services. Mr. Thomas emphasized that no final proposals have been made. The presentation by DHS at the budget hearings summarized some of the ideas that have been raised and discussed at the Medi-Cal Redesign workgroups. Mr. Thomas stated that when proposals are made by DHS, the Legislature and the federal government will both have to review and approve the proposals before the ultimate redesign plan is finalized. He reported that the original timeline has not changed and that proposals are expected to be sent to the Legislature by the middle of May.

Mr. Berger informed the Commission that Senior Hospital Negotiator Myrna Allen is going to be leaving the Commission after seven years of service. He stated that Ms. Allen has been a valuable contributor to CMAC in so many ways. Mr. Berger recognized that Healthy San Diego came up largely because of her efforts. Ms. Allen’s last day will be May 3, 2004 and she will be sorely missed. Mr. Berger invited all to attend a CMAC Open House for Ms. Allen on Monday, May 3, 2004 at 2:00 pm.

V. New Business/Public Comments/Adjournment

There being no further new business and no additional comments from the public, Chair McFadden recessed the open session at 10:45 a.m. Chair McFadden opened the closed session at 10:52 a.m. Chair McFadden adjourned the closed session at 12:03 p.m. The Commission reconvened in open session. Chair McFadden announced that the Commission had taken action on new hospital contracts and amendments in closed session. There being no further business, Chair McFadden adjourned the open session at 12:03 p.m.